

COMMITTEE ON FINANCE

June 2, 2004

6:00 PM

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman O'Neil.

A moment of silent prayer was observed.

The Clerk called the roll. There were thirteen Aldermen present.

Present: Aldermen Roy, Gatsas, Sysyn, Osborne, Porter, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Thibault, Forest

Absent: Alderman Guinta

Messrs.: David Smith, Randy Sherman, John St. Hilaire

Mayor Baines stated we ended the meeting last night with a discussion about the MTA situation and I'd like representatives from the MTA to come forward.

Mr. Smith stated with me this evening is John Trisciani, Chairman of the Board and Bill Cantwell our Administrative Manager. We met today with Kevin Clougherty and Randy Sherman of the Finance office and discussed the situation regarding our cash flow needs and our financial situation this year and going into next year. I think in ending that meeting the Finance Department was satisfied that we were maintaining an adequate but not excessive reserves and that our management of those funds was appropriate.

Alderman Garrity asked on average how long does it take the School District to pay their bills to you, is it on a monthly basis or do they fall behind, is that why you have a cash flow problem?

Mr. Smith stated within our total cash and checking account...we have a single account, we segregate that end of the two businesses...the school business and the transit business and we maintain \$150,000 for cash flow on the school side with school funds and our contract provides that we receive ten equal payments through the school year, so we receive a first payment after the end of September for the

month of September, so we carry some expense through the summer. We don't operate much summer school service. We carry a little bit of expense through the summer and then in September and we are generally paid mid-October, so the cash flow requirement on the school side is just somewhat over \$150,000 for that period.

Mayor Baines asked, Mr. Sherman, would you like to add anything based upon the Finance Officer's review of the situation.

Mr. Sherman stated we did meet this afternoon. We reviewed not only their cash flow but their balance sheet and financial statements. It pretty much comes down to the extent to which they want to keep an on-hand, working capital reserve. My understanding is that the reserve is set at about roughly about six (6) months of \$540,000. If you reduce your subsidy to the MTA they would be either cutting service or dipping into that reserve and that's really where the policy decision lies...if you do it once, if you want to then fund it up back the next year you would then have to add it onto next year's appropriation, so it seems like it would be a one-year fix of what you would then have to do some catch up.

Mayor Baines asked so what is the recommendation from the Finance Department.

Mr. Sherman replied going through the cash flow, I think the \$50,000 is available if you want to reduce their appropriation by that amount.

Alderman Gatsas stated, Mr. Smith, the School side you said you have \$150,000 in reserve...what do you hold for the City side?

Mr. Smith replied for the City side we reserve \$540,000 which is equivalent to nine months of federal draw, I'm sorry six months of federal draw.

Alderman Gatsas stated the six months of federal draw for the reason being.

Mr. Smith stated our fiscal year begins in July, the federal fiscal year begins in October regardless of how early we apply for a grant that can't be awarded until the beginning of the fiscal year if the money's been appropriated by Congress. We've set the reserve at six months to give a couple of months cushion so that if there is no action in Congress and funds cannot be made available in October that we have a little bit of cushion.

Mayor Baines asked has that happened before, David?

Mr. Smith replied I don't believe it's happened in recent years but I do remember years in the past where we've waited as long as nine months.

Alderman Gatsas stated so basically if the City allocated its share of \$800,000 on an 8-month period and I understand what you're saying and I understood what Randy said that basically if we deduct \$200,000 from your revenue stream now that at some point we would have to make it up, but I would think that the \$200,000 reduction...Randy, how much is \$200,000 on the tax rate?

Mr. Sherman replied about \$0.04.

Alderman Gatsas stated so we would be reducing the tax rate by \$0.04 and really we have not affected you in an adverse position other than taking cash that you have that obviously you must have got a windfall at some point...where did all of this reserve come from?

Mr. Smith replied frankly going back I can't, I don't know. I know there was a contribution of equity when the Transit Authority was formed, I don't know how much that was, it probably wasn't that much. Some of that money is federal money. I mentioned yesterday that some of that is in employee accruals as those accruals have been expensed the federal money is already in that, so there's a little bit of federal money in there, but not a lot.

Alderman Gatsas stated so I guess our choices are, your Honor, is to leave the \$200,000 there and pass it onto the taxpayer or pull out \$200,000 and reduce the tax rate by \$0.04 and look to see when the City's...obviously, hopefully that the better economy is coming and if you have the ability to replace it that would be fine but it's not putting them in an adversarial position from cash that they don't have; that is cash that they have but obviously over the years it's been built up somehow, from somewhere.

Mr. Sherman stated again it gets to be where do you feel comfortable having that cash reserve and again six months I don't think is unrealistic, it's only \$540,000 and that truly is a policy decision. If you go through their cash flows and you can fairly see that they're estimating that they would have roughly between \$50,000 and \$60,000 at the end of '05...that is where we are saying that that could be used to reduce the '05 appropriation.

Mayor Baines stated we'll deal with this in the regular Board meeting when that comes up. Are there any further questions of the MTA people at this time?

Alderman DeVries stated you had mentioned that part of the million dollars is federal dollars can you break that down any further for us.

Mr. Smith replied yes, in fact, I gave an erroneous figure last night. I said our current liabilities were \$375,000...they are currently \$292,000 and most of that is made up of employee accruals for sick pay and vacation pay. Those accruals have already been expensed. We've drawn down on the federal share of those, so there is some share of federal money in that.

Alderman DeVries stated so that is considered encumbered.

Mr. Smith replied yes.

Alderman DeVries stated of the million dollars you said your six month reserve between the City and the School comes to approximately \$700,690 and you're telling me \$292,000 is apportioned to the encumbered to employee accruals, etc.

Mr. Smith stated yes and the cash flow problem that exists both for transit and School both exist at the same time. They occur from July through September or July through October.

Mayor Baines stated there was some discussion today, in fact, if you did have a cash flow problem that would affect service in the community, you might have to pull back services, we've had discussions about increasing Step-Saver services because of the government requirements to do that to provide access for people with disabilities and that's one of the reasons that the Finance Department feels that present situation is the preferred situation; that was my impression coming out of that meeting today.

Mr. Smith stated we feel that the budget is a reasonable one given the demands that are facing us.

Mayor Baines addressed item 3 of the agenda:

3. Appropriating Resolution:

“Raising Monies and Making Appropriations for the Fiscal Year 2005.”

- a) Discussion regarding non-departmental accounts.
- b) Budget proposal submitted by Aldermen Guinta and Garrity.
- c) Communication from Alderman Lopez regarding HR Employee Training and Development.

- d) Communication from the Quality Council relative to the proposed FY2005 budget.
- e) Communication from the City's Internal Audit Manager relative to additional information of Fire Department overtime.
- f) Communication from the City's Internal Audit Manager relative to Police Department vehicle purchases.
- g) Communication from the Public Works Director regarding landfill post closure monitoring funding.
- h) Communication from the OYS Director advising that his proposed budget will be short \$10,920 in the salary account.
- i) Public Access Television.

On motion of Alderman O'Neil, duly seconded by Alderman Thibault, it was voted that the Appropriating Resolution be read by title only, and it was so done.

Alderman Shea moved to receive and file Items (a) through (i) and defer to overall budget discussion. Alderman Lopez duly seconded the motion. The motion carried with Aldermen Gatsas and Garrity duly recorded in opposition.

Alderman Shea stated, your Honor, I would like to make a presentation if I may.

The uncertainty of the school funding situation in Concord places the City of Manchester in a position that challenges us to keep every available option open until tax rates are officially set in the fall (late October – early November). Therefore, the budget being proposed tonight will allow the Board of Mayor and Aldermen to establish service levels in our city that can be adjusted in response to school funding decisions made by the legislature or the courts prior to the tax rate setting. In addition to layover the operating budget resolution, the Board of Aldermen is proposing that the full Board adopt a management strategy as follows:

1. Strongly oppose the recent legislative actions aimed at reducing state education support for important mandated programs.
2. Direct City departments to expend at a rate of 98% of their FY2005 appropriation until further notice, in accordance with Charter Section 6.05.

3. Director the Mayor, Finance Officer and City Department Heads to aggressively management the FY2004 expenditure budget to ensure maximum fund balance that could be applied to the tax rate.
4. Urge (in no uncertain terms) the Manchester School District to assess avenues of mutual benefit to help address anticipated shortfalls.
5. Closely monitor City non-property tax revenues through October to ensure the most accurate possible projections for inclusion on the City's forms for tax rate consideration.
6. The Board of Mayor and Aldermen stand committed to maintaining strong Police, Fire, other first responders, educational, and additional vital services for the City of Manchester. The City will meet its obligations under State and Federal law to educate the children of this City, even if the State of New Hampshire does not.

Adoption of these measures does not limit or restrict the Board of Mayor and Aldermen from adopting additional measures either prior to adoption June 8, 2004, or after adoption if necessary, to effectuate the lowest possible tax rate this Fall.

And, this is submitted on behalf of the Board of Aldermen by William P. Shea, Chairman. I would like now to turn attention over to my colleague Alderman At-Large Mike Lopez who will make a presentation regarding the budget.

Alderman Lopez stated thank you very much, Alderman Shea. Each of you received a copy of the budget that has been prepared. There's not a lot of scribbling on it for the simple reason it's been a very long process going through here and there's been so many numbers changed in the last week in order to put this budget together. A couple things I will explain so we'll all know where we're coming from...all the health benefits and retirement benefits are included in the expenditure items of the budget by department which was done by the Finance Department (Randy Sherman). We had approximately \$542,000 that was reported to us and we had a savings of \$350,000 as we went through this particular process and as a conservative to make sure that we weren't taking away the total \$542,000 coming to an agreement with the Finance people and the Chairman of the Board and the Mayor and everybody else we agreed that \$350,000 could be taken out of the budget. The other item that is important to understand is that we have a Tax Reserve account that we had \$1,981,000...the Mayor used \$1 million of that and

we're recommending in this budget that we take the other \$981,000 of the fund balance to try and offset the budget due to the circumstances. In conversation with the Assessors they had a million dollars in the overlay account and after conversation and their recalculating and getting some good results on abatements and stuff like that they were able to come forward and give us \$100,000. So, the new number is \$900,000 versus the million that was in the Mayor's budget. The other item that we talked about among the other Aldermen that's in the budget which is under Traffic you'll see an increase of \$200,000 in revenues and that is from...there is a \$1.00 charge for every vehicle that is registered in the City of Manchester which we implemented last year. We could go up to \$5.00 which is not recommended but looking at the data that I got from the Tax office (Joan Porter) by increasing that by \$1.00 we can pick up \$100,000, so that is what we're also recommending. The other \$100,000 in Traffic...they're in the process of what we call doing censored meters and that should be up and operating in July and in talking to the Traffic people and the individual that's doing that there's quite a substantial savings. The way the sensor meter works is that you park your car, put your \$0.50 in you leave 15 minutes later and the meter goes back to zero and then the next person has to put the money in. So, between that and an increase in the bags that you see around on the meters...where there's been quite a few complaints to the Aldermen...they're only \$10.00 and what's happening is people are just buying them and throwing them up and leaving them up for 24 hours when they're suppose to take them down. So, that's going to increase also if people are going to agree with this budget. The permit at \$35.00 per month...if you park at a 10-hour meter it will cost you \$84.00 a month, so that should increase another \$5.00 along those lines and that's how you come up with \$200,000 in more revenue for Traffic. The Welfare office gave us an additional \$25,000...they had \$60,000 in their revenue account and they're doing an excellent job over there. As a matter of fact they're going to be turning a fund balance back this year of \$160,000 and we talked to the Welfare Commissioner this afternoon and cut his budget by \$100,000 with his agreement. He's indicated to us that he could let the \$100,000 go from his expenditure account and increase his revenue by \$25,000 due to the situation that the City has been put in by the State. There have been a few other different revenues...although they're small...the City Clerk's office that we passed last night \$24,300 for alarms, the Fire Department increased their budget by \$22,000 in revenues bringing their new revenue up to \$347,250. The Assessors came in at the last minute and gave us a \$60,000 more in revenue from back abatements or liens that were placed on property that people paid and money wasn't being counted and now it's going to be watched very closely and we thank them for the \$60,000. As you heard tonight depending upon what the Board's policy is, the MTA is giving us \$50,000 that we included in our budget. The expenditure on the Assessor's we've cut by \$60,000 because the department head came to us and talked about how he was going to reorganize his office and the

Aldermen that were involved in that process agreed that was a good way and gave us an additional \$60,000 from expenditures and still be able to operate and rearrange his office for the better. We talked so much about the tough issue of the Fire Department's overtime and we looked at it very, very closely and had long discussions about it and in the end we're cutting \$200,000 in the overtime account for the Fire Department. Some of the other minor things we did last night which everybody knows is that we increased the HR budget by \$30,000 for Jack Sheridan who was able to save us quite a substantial savings on health which was well worth it, so we increased that and we also decreased the CIP budget, although it's not very much, by \$14,400 and ended up with a new program for patrolling in the neighborhoods because that seems to be a big issue. We've received many calls about too much speeding and we've had incidents where kids could get hit by a car or a bicycle and we felt it was important to put somebody in there to get extra patrolling out there for the Police. The other items that we talked about...we did a survey of vehicle registration and we went to the last three years and sat down with the department head and looked at the registration numbers and it seems like very third year...and the Finance people sort of agreed with that that we have an increase in new cars and that's where we get the money. As a matter of fact one of the Aldermen just registered one and I think it cost him \$500, so we increased that by \$50,000 in revenue. The item that we passed, of course we've added it to an expense item on the Veteran's by adding \$200,000 increase to the Veteran's which in the '04 budget was \$565,000 and now you go to \$765,000 a \$200,000 increase and we had \$180,000 in contingency and as of late this afternoon we deducted another \$30,000 so there will only be \$150,000 if this budget is approved. The Office of Youth Services was short approximately \$10,800 and it was a bonafide request which was not in the budget at the time, so with Finance verifying that we turned and increased their budget by \$10,000. We're hoping that the School will come in with a fund balance as Alderman Shea has indicated, they're working on it and I think they might have a vote on it Monday night as to whether they're going to assist us or not. But, as Alderman Shea has indicated I think we have to move forward. It would be so easy, so easy to cut and that was trouble among a lot of the Aldermen. We even thought about in order to get the budget way down to zero was that the responsible thing to do and the conclusion was no. We'd have to layoff 130 people in this City in order to do that; that would be irresponsible of us to do that plus the fact that we would have to pay Unemployment costs and everything else and the services and everything would be chaos. There has been some who have said that it would have been so easy if we had not passed the School budget, that's probably true, I won't deny that...that it would be so easy for us to say cut the Schools by four million and that wouldn't have been responsible, we can't take it out on the kids. So, we move forward with this budget and we end up in presenting this budget to you at a 5.3% increase and

note that the budget is based on receiving \$35,437,829 from the State; that was the number that was given to us by some; that was the number that was allocated in the Mayor's budget and I know he fought vigorously in Concord to get that number. Now, we all know that if we do and they go to court...who made what happen, they can come in with a different bill and we all understand that...we have to have the time...the time element here is the management element that we're looking at that we can move forward with the appropriations and let the departments go ahead and work and as October draws near the directions that the Chairman of the Board has outlined and in working with the Finance people I believe that in the end we will get the budget down. Even if the courts rule against us.

Alderman Lopez moved that the Appropriating Resolution be amended downward to \$112,806,584. Alderman Shea duly seconded the motion.

Alderman DeVries stated I just wanted to reiterate that to prepare for the potential outcome that there is not a repair of the damage done at the State and that it will be a lesser amount than \$41 million we have directed the department heads to initiate a reduction in their budgets and that is a 2% level and we're asking them to manage that process. It was felt that we do not have to dictate today with giving all of our City departments the opportunity to address this and to revisit the process with us come September before we set the tax rate in October. I want to thank all of the Aldermen that spent many, many hours today working on this and I think it showed collectively that we do value our City services and our schools and we're not out to cut dramatically any of the budgets. We do realize that there going to be...there will be the necessity as well as the opportunity to tweak this budget over the next week and we will have that opportunity before us. We have until June 8th to continue amending that. There are several individuals that are here from MCAM tonight that wish to address us and, your Honor, I would hope that we don't make them wait too long because we'd like to get them in front of us to address some of their budget opportunities. Would it be appropriate if we bring them forward at this time.

Mayor Baines replied no, I don't believe so.

Alderman DeVries stated I'm just hoping we don't have to make them wait too long tonight that it will be part of the budget process.

Mayor Baines stated we're dealing with the budget tonight and all the numbers are within the numbers as proposed in the budget. I think we're at the point now where we really need to focus internally on the Board of what direction we're going to proceed.

Alderman DeVries stated I understand, your Honor, but do realize that they were on the agenda to be addressed tonight as Item 3 (i) and I'm just hoping that we do not make them wait to the conclusion of our budget discussions.

Alderman Lopez stated I agree with the Aldermen. Let me point out something... as you are well aware there is \$120,000 in non-city programs that's in the budget that we have and \$306,000 in the MCTV Program. I received correspondence from Dr. Grace Sullivan reminding me that when this goes forward it will have a yearly increase of \$26,560 and the Finance Director has indicated during the budget process after everything's all done if that was the case we'd be able to take care of that particular problem, but for the budget process tonight they have \$426,000. The problem that we have that the Board has got to solve here is to whether all of the money stays with MCTV, whether the \$120,000 stays in the non-departmental area and there needs to be discussion with the HR Director and I don't care which way it goes, but it's only \$426,000 in the budget understanding that they would need \$26,000 more.

Alderman DeVries interjected excuse me, your Honor, I had the floor and I was not done.

Mayor Baines stated I'm going to come back to you.

Alderman Shea stated I think that there was a meeting that was held on Friday between various City departments if Ginny Lamberton who was there could make some sort of report.

Ms. Lamberton stated my role at that meeting, I believe, was limited to determining what should happen to the two employees who are affected by this change. After looking into this situation and other similar situations it would be my recommendation that the employees become employees of MCAM under the grant that's being given to them and no longer be City employees. Other than that there was a lot of discussion about the fact that no matter what happens that there are not enough funds available for dividing the pie between two different organizations that they would need more funds to carry on as they are and they'd need more funds to carry on if they divided the two organizational units.

Mayor Baines stated just keep in mind that we have the whole budget that we're talking about now not just this little part of it.

Alderman DeVries stated since we are speaking of MCAM I'd like to have the Board of Directors come up and address that so that when we consider the rest of the budget we're thinking of it in its entirety. I think we have several representatives of the Board...

Mayor Baines stated we're not going to have everybody up here. If we want one spokesperson or something like that. We have a whole budget we have to deal with and this is one particular item in a very, very large budget. Alderman Shea do you have any recommendations regarding this.

Alderman Shea replied actually my recommendation would be that we refer it to the Committee on Administration for final resolution because basically the appropriation that's been given to them, I believe, is what they're going to receive other than an additional amount that may be available in terms of whatever Alderman Lopez said the \$26,000. I think that's sufficient for that. I'm not sure that by having them come up and explain what's going to be resolved, I don't know but that's my recommendation.

Mayor Baines stated as I understand it we have a motion on the floor to amend the resolution and the procedure if someone wanted to add some additional money or subtract additional money that would be an amendment to the amendment. Is that correct?

Deputy City Clerk Johnson stated that is correct or you could vote on one amendment and then take another separately.

Mayor Baines called upon someone from MCTV to come up and address this now. This is not going to dominate the evening, so if you want to make some brief comments that would be fine.

Alderman O'Neil stated with all due respect to this, I thought we were supposed to get some kind of report back at some point...

Mayor Baines interjected I thought so too.

Alderman O'Neil stated we have the entire City budget that we're...

Mayor Baines stated I did not expect to get dragged into an MCTV thing tonight during the budget process and what's the will of the Board.

Alderman O'Neil stated I thought we were pretty close and we were just waiting back for information back on the structure and all of that.

Mayor Baines stated and that really belongs in Administration. It is my recommendation to follow Alderman Shea's recommendation with all of the rest of these issues be referred to the Administration Committee and we deal with the entire budget this evening; that is what I would prefer to do.

Alderman DeVries stated, your Honor, I certainly understand that I think their problem is that they need to sign a five-year lease agreement with their rental.

Mayor Baines stated we're not going to solve that tonight in Committee on Finance; that has to go back to committee and let the committee work out the details. We can't settle that issue in this format tonight.

Alderman DeVries stated except that we did direct them last week to come back tonight which is why they are on the agenda as Item 3(i) to make that presentation. If they do not sign their lease MCTV is not going to be happening come July 1st no matter what number we put in the non-departmental items if I understand what I've heard correctly.

Mayor Baines asked how are you going to solve this tonight, Alderman?

Alderman DeVries replied I think that we should at least give them the opportunity to explain their immediate situation.

Mayor Baines stated you have a couple of minutes, please proceed.

Mr. John St. Hilaire stated I'm going to make this very, very quick because I don't want to lengthen your evening any more than it already is going to be. We did meet with Virginia from HR and with Tom Arnold and with others but what we were addressing what we were supposed to address was the employee situation whether they could be sub-contracted out through the City of Manchester and be working at MCAM. It has been decided through HR and people at the meeting that that was not an option; that the only option is the employees become employees of MCAM. So, basically, what we did is we sat down and we've talked to some Aldermen who were not willing to put themselves or future boards on the line to guarantee MCAM their funding. So, what we did is we went back to the very start of PEG Access and how PEG Access was funded and the bottom line is PEG Access was born out of the cable franchise agreement and out of the cable company. It was funded by the franchise agreement, the City of Manchester receives \$0.05 of every dollar that is paid to Comcast Cable for PEG Access and for the first ten years of that contract 2 ½ cents of that went to PEG Access and

that's how it was funded the other 2 ½ cents went to the City and went into the General Fund. Other cities such as Bedford, Londonderry, Goffstown, The State of Vermont, Lowell, Worcester...all of those funds that come from the franchise fees are given directly to fund PEG Access...

Mayor Baines interjected excuse me...

Mr. St. Hilaire stated I'm almost done, your Honor. What we are recommending is that this Board of Aldermen and the Mayor come back and say MCAM will be funded by \$0.01 that comes from the franchise fee from the cable company. So, \$0.01 of every nickel that the City gets from the franchise fee will go to fund Public Access TV; that eliminates all of the liabilities that the City has that Public Access opens it up to. It opens up the studios for what they need, it takes Public Access and it is run by a non-profit board that was recommended by the Mayor and the Board of Aldermen according to the letter and Public Access is no longer an issue to the City. The funding comes from the point where it was supposed to come from, the cable franchise fee and it's one penny out of the five cents that the City gets right now.

Mayor Baines stated thank you for your comments. Now, I'd like to continue with discussion on the City budget.

Alderman Gatsas asked, Randy, can you give me a tax rate increase if we use the funding that we were issued by the State?

Mr. Sherman stated based on the legislation that was just passed. It would come out to...I projected a tax rate increase of 8.45%.

Alderman Gatsas asked is that including the School tax rate of the \$27 million or is that reducing that also?

Mr. Sherman replied that would reduce that to the \$22,402,805.

Alderman Gatsas stated can you tell me as one of the chief financial officers, I guess you wouldn't be Kevin Clougherty would be. Would you in your parameters as the Deputy Chief Financial Officer sign this as an audited statement based on what you see before you with a revenue discrepancy from the State?

Mr. Sherman stated the Board does not appropriate on the revenue side, those are only projections on the revenue side. So, really what the Board is appropriating is that expenditure column the \$112,806,584. Personally, as a finance individual I

prefer certainty and I prefer being conservative, but the plan I think that the Chairman and Alderman Lopez are laying out here is they understand that there is an uncertainty and that they would like to keep their options open for a number of months until some of that uncertainty is resolved.

Alderman Gatsas stated wouldn't it be wise that we take the 2% across the board cuts, apply them to the budget, reduce the number from the State Revenue side so that we get a clearer picture exactly where we're at and be honest with the taxpayers of this City.

Mr. Sherman replied again I prefer the certainty myself and I'm sure the department's would prefer the certainties so that they know what they have to manage...give them 13 months to manage that number, however, the way the City Charter is drafted once you reduce that appropriation it's very difficult to go back and increase the appropriation. You have to verify that there are surplus revenues to increase the appropriation. So, the approach that they are looking to take is issue the directive, have the departments spend as if they only had the 98% and if additional revenues do come in then you can back off on that directive and it gives you that flexibility to appropriate what you feel is the correct number, but again have the control in place to bring that eight forty-five down to possibly the five thirty-nine that's presented.

Alderman Shea stated at no time were either Mr. Lopez or myself or any person dishonest with the taxpayers of Manchester and I resent that comment when we prepared this budget we were not dishonest with the taxpayers of Manchester, we were very honest. And, as he explained we left the options open so that we could reduce this budget accordingly. There was no dishonesty, there is no dishonesty, your Honor, I repeat that in the 5.39%. There may be dishonesty at other levels of government, but there is not dishonesty at this level of government. We had an open discussion, every Alderman here had a chance to view this, we reviewed it with people who agreed with us, with people who expressed their opposition to it and we were not dishonest with any taxpayers, so that is personally resented. So, I resent that on the part of Alderman Gatsas. No time were we dishonest with any taxpayer, no time did we deceive any taxpayer of Manchester, no time did we impune any kind of situation where we would be dishonest with any taxpayer of Manchester. I want that to be known publicly, your Honor, thank you.

Mayor Baines stated I'm going to come right back to you but I want to make a couple of observations. The City has been in situations before that the Board has had to issue directives and it was common practice when the fiscal years weren't on line they way they are right now, so what we're doing and the recommendations which I support and we work with the Aldermen to come to a

consensus and common ground on this issue is that it puts the Board in a control position. The suggestion about the 98% came from a meeting with department heads and I want to commend the department heads because they said they'd like some certainties setting out that we could manage at the 98% level...that when we get at tax rate setting time if there isn't a change we can keep that in effect and those numbers can be verified by the Finance Officer and the Mayor. And, Randy is absolutely correct the only thing the Aldermen do is set the appropriation. The revenues are determined by verification of the Finance Officer and the Mayor...those two individuals have to sign off on the forms that go to the State, the Aldermen do not determine the revenues, the revenues will be what the revenues will be and if the revenue from the State is different, it's different. If revenues from auto registrations are off, they're off. So, that is how the process works. We only vote on appropriations, we make projections on revenues and I do concur and I'm not sure if Aldermen meant it this way but I think the explanation was very honest and very open in terms of what we're going to do, but we've stayed in the drivers seat on the budget and I'm going to work with the Aldermen and the Finance Officer to make sure we monitor what is exactly going on here, we've had other challenges in the past, it wasn't too long ago that we had a \$2.3 million School deficit we had to deal with, School District had to deal with it, we had to deal with it, we had a Welfare deficit and we issued directives to rollback spending...we're in control by going this approach.

Alderman Gatsas stated I didn't know I hit a sensitive nerve...

Alderman Shea interjected you certainly did.

Alderman Gatsas asked, Randy, can you tell me if we applied the 2% cut and if the revenue of \$45 million is not there and the revenue of \$41 million is there what would the tax increase be?

Mr. Sherman replied 7.21%.

Alderman Gatsas stated so if I were to apply the cuts of 2% and the money coming from the State was only \$41 million then the tax increase is not 5.39% but it's 7.21%. I think that's something that the taxpayers should understand because when people say is 5.39% that's with assumptions and I think that the Deputy Finance Officer told us he would rather work with reality and I think it's important that we work with realities.

Alderman Shea stated I think if Alderman Gatsas would look at the points that I raised...one of the considerations is that if in the event that we do not receive the full funding from the State what we have implemented is various options...revenues coming in, 98% of City budgets operating from July to October and possibly through the entire year and possibly looking at various one-time accounts which are available to us, they aren't the Rainy Day funds but they're various accounts. So, I can assure Alderman Gatsas that the final tax rate will not be 7.whatever, but if no 5.39% it will be in and around that area. We will be looking at fund balances as well, so we are looking at various options. So, when we decide tonight to set a particular projected tax rate it's projected, it's not final and the final figures will be brought, as I mentioned before, up to Concord in late October or early November, but we have at least three or four months before a final decision is made and we invite anyone with any thoughts between the time the budget is set and the final determination to come forward with various suggestions or recommendations that could be adopted by Board members, if they so choose.

Alderman O'Neil stated a couple of comments. Number one, I want to thank Chairman Shea and Alderman Lopez and my colleagues of this entire Board for participating in this process. I know I had several opportunities to talk to Alderman Shea and Alderman Lopez about this budget and I appreciate that. I hope we're going to fight to the last hour of the last day for this money from the State. It's over a 3% increase is at stake here...

Mayor Baines interjected 3.4% as a result of State action.

Alderman O'Neil stated I hope we're going to fight and fight and fight for it and I'm not willing to concede tonight on that and I hope my colleagues join me in joining that fight. I don't look at this 98% as cuts, I look at it as a control mechanism and I applaud the department heads for suggesting it, they've always said let us know from day one we'll do our best, there are variables that we may or may not be able to control...how much snow are we going to get, how many retirements we have...we'll work through it but I believe that this is a control mechanism, I think it's good budget work and I plan on voting for this this evening.

Mayor Baines stated it puts the managers including the Mayor and the department heads in the managing situation to control this situation with the support of the Aldermen.

Alderman Roy stated I'd like to reiterate a few comments and some praise. A lot of work and a lot of energy went in to not only this budget preparation but the plan that goes along with it and to address some of the assumptions that are being made, we had the opportunity a number of weeks ago to buy ten police cars because we have men deployed in Iraq and it was through the budgeting of the Police Department that allowed us to spend that fund balance on something that is very appropriate for the City of Manchester. There are always going to be assumptions made with budgets whether they're revenue numbers or whether they're staffing a full complement or if we have people out or as Alderman O'Neil said retirements. What we need to do this evening is look at something that can bring a little bit of closure to this, put us in a good stance with our position with what happened in Concord and move forward. I also like to, at this time, thank the department heads that came forward with some cuts that helped make the management style of 98% that much easier. We're all looking for different numbers, we're all looking for every benefit for the taxpayer and many of the department heads stepped up and made cuts right away including the MTA and I appreciate that as all of the Aldermen here do as we will be going into the next week looking for additional cuts and additional work on this budget. So, I as well as Alderman O'Neil would like to favor this...a lot of time and energy has gone into it and I think it's the best, most prudent for not only this Board but the taxpayers of the City. Thanks you.

Alderman Thibault stated I would just have to reiterate what most of my colleagues have said here tonight and let me just say that the department heads are the ones that really came across, as they usually do, when we are in some dire straights such as we are today. But, mostly, I would like the people of the City of Manchester to realize that the State of New Hampshire is the one that has put us in this position. This Board has worked very hard to get the numbers to where they are at today and I especially would like to thank Aldermen Lopez and Shea who basically led the group, if you will, to get these figures where they are today with the cooperation of all those department heads, but mostly I want the people of the City to realize that it is the State of New Hampshire that has put us in this position. Thank you, your Honor.

Alderman Shea moved the question. Alderman Lopez duly seconded the motion. A roll call vote was taken. Aldermen Gatsas, Osborne and Garrity voted nay. Alderman Sysyn, Porter, O'Neil, Lopez, Shea, DeVries, Smith, Thibault, Forest and Roy voted yea. Alderman Guinta was absent. The motion carried.

Mayor Baines stated the Clerk will indicate the motion and we'll take our final vote.

Deputy City Clerk Johnson stated the motion on the floor is to amend the operating budget resolution to the amount of \$112806,584.

A roll call vote was taken. Aldermen Gatsas, Osborne and Garrity voted nay. Alderman Sysyn, Porter, O'Neil, Lopez, Shea, DeVries, Smith, Thibault, Forest and Roy voted yea. Alderman Guinta was absent. The motion carried.

Alderman Shea moved that the Appropriating Resolution ought to pass and layover as amended. Alderman Thibault duly seconded the motion. The motion carried with Aldermen Gatsas, Osborne and Garrity duly recorded in opposition and Alderman Guinta recorded as being absent.

Alderman Shea stated at this time I want everyone on this Board pay all due respects to Alderman Lopez. He has worked very hard on this budget, he is the one that deserves all the credit. Aldermen Shea, other Aldermen have participated...perhaps me a little bit more than others, but some have participated...Alderman Roy, Alderman DeVries...but, Alderman Lopez deserves the credit. He's the one that spent countless hours and he's embarrassed now because he doesn't want to take the credit, your Honor, but I'm telling you this man has worked untiringly in this effort and I want to public commend him and we should give him a standing "O".

Alderman Lopez stated I thank Alderman Shea for that comment but it's a team effort and I consider this a great team that out of five budgets I think that more Aldermen participated and had more input into this budget than I've ever seen and that's the way it should be. There is a question I have though and Alderman DeVries brought it up. Would it be appropriate to send the MCTV back to the Administration Committee.

Mayor Baines stated I think that's the next item we're going to deal with. We still have a meeting for a final vote here and I will have some comments to make at that time as well.

Deputy City Clerk Johnson stated I will advise the Committee that we will take the management recommendations that were brought forward and will bring them out to the Special Board for action.

- j) Report of Committee on Administration recommending that the Board of Mayor and Aldermen provide funding for public access as follows:
- Appropriate \$90,685 to MCAM
 - Place two employees currently under MCTV under the appropriate city department to be determined at the discretion of the Human Resources Director with funding in the amount of \$106,115.37
 - That \$400,000 of the current separate fund be transferred to a fund for MCAM to be utilized under the discretion of the Board of Mayor and Aldermen
 - That the MCAM Board as presently constituted be designated as the City's community access Board
 - That such individuals transferred from the School Department to the City Department be transferred with no loss in retirement, salary or other benefits

The Committee notes that it has requested that the City Solicitor, Finance Department and Human Resources Director work with the MCAM Board to provide preliminary information to the Board at its meeting regarding the general feasibility of this proposal, along with any major issues they believe need to be addressed to the Board of Mayor and Aldermen at this time.

Alderman Garrity moved to refer Item 3(j) to the Committee on Administration. Alderman Shea duly seconded the motion. The motion carried with Alderman DeVries duly recorded in opposition.

TABLED ITEM

On motion of Alderman Thibault, duly seconded by Alderman Sysyn, it was voted that the appropriating resolution be removed from the table for discussion.

4. Appropriating Resolution:

“A Resolution appropriating to the Manchester Aggregation Program the sum of \$834,682 from Aggregation Fees for the Fiscal Year 2005.”

On motion of Alderman O'Neil, duly seconded by Alderman Thibault, it was voted that the Appropriating Resolution be read by title, and it was so done.

Alderman Thibault moved that the Appropriating Resolution ought to pass and layover. Alderman O'Neil duly seconded the motion.

Alderman O'Neil asked could someone please remind me why this particular item was tabled. Were we looking for a particular piece of information?

Alderman Lopez replied yes. There was going to be a complete breakdown of the Aggregation Program and I think that Kevin had some recommendations, but I think the most important thing that I want to bring to everybody's attention...we talked about this same subject at the last budget. This has to be referred to the Energy Committee and they've got to really work on it because there are a lot of questions a lot of Aldermen have. I know that Alderman Smith has quite a few and he can speak for himself and some valid questions that we have to iron out and it was referred to the Energy Committee last year, the budget year before and we've just got to get some answers because if we just knock it out we've got \$1.6 million that we've got to come up with. Now, I understand that and I think most of the Aldermen understand that but we've got to know what direction and what policies need to go forward and we need to deal with that in Committee.

Alderman Smith stated this has been bugging me for a long while. First, I think it's a waste of money and secondly I don't think the Energy Committee met at all. I don't even know who's on that committee, but I would suggest that this committee meet together with the Finance people and try and straighten this out. I know that to fund it the cost would be \$1.6 million, but this has been going on for several years and I don't think we're getting our bang for our bucks and I think that something should be done.

Alderman Porter stated the question that I have had and I've had for sometime is how long do we have this go just to avoid having to clean the slate. If there is a reasonable revenue stream on the horizon within the next year or two then certainly it may be worth considering and even though it doesn't have a big impact on the tax rate, it really defies logic to appropriate \$834,000 every year and then maybe more next year simply because we somehow have to come up and pay back a certain amount if we discontinue it. I guess the question is how long are we expected to go with basically a situation that doesn't even exist?

Mr. Sherman stated I certainly agree, this definitely needs to be looked at. I think where we started back in 1995 with this clearly or the direction we're heading in clearly isn't where we ended up with it. I would give some comfort to the Aldermen that fiscal '03 they did turn a profit. There wasn't a deficit and even though the resolution is \$834,000 I bring your attention to the clause at the bottom that caps the spending at \$175,000 unless they would come back to the Board and

again the reason we do that is under the Charter it's very difficult to raise the amounts if something does present itself. I certainly welcome the opportunity to get it into a committee, discuss it...energy costs still remain your fourth largest cost in your budget and need to be addressed.

Mayor Baines called for a vote on the motion. A roll call vote was taken. Aldermen Gatsas, Porter, Garrity, Smith and Forest voted nay. Alderman Sysyn, Osborne, O'Neil, Lopez, Shea, DeVries, Thibault and Roy voted yea. Alderman Guinta recorded as absent.

Alderman Thibault stated I was on the Energy Committee but it's been at least two years since that committee met. As a matter of fact, I don't even remember who the Chairman was.

Alderman Forest stated I have one comment before we adjourn. Last night I made a comment that Alderman Gatsas was not present at that last Aldermanic meeting in reference to the tattoo parlors, I want to apologize to Alderman Gatsas apparently he was here at that meeting and he was not invited to the meeting, so I apologize for that comment last night and we'll start afresh again.

There being no further business to come before the Committee on Finance, on motion of Alderman Garrity, duly seconded by Alderman Smith, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee